



18-December-2020

# Morningnote

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## Overseas Market Report

Foreign Equities	Latest Price	Time/Date (AEST)	Change	% Change
▲ Dow Jones (US)	30303	8:35am 18/12/2020	149	0.49
▲ S&P 500	3722	8:35am 18/12/2020	21	0.58
▲ NASDAQ	12765	8:50am 18/12/2020	107	0.84
▼ FTSE 100 Index	6551	3:50am 18/12/2020	-20	-0.30
▲ DAX 30	13667	4:00am 18/12/2020	101	0.75
▲ CAC 40	5549	4:15am 18/12/2020	2	0.03
▲ Nikkei 225 (Japan)	26807	5:20pm 17/12/2020	49	0.18
▲ HKSE	26678	7:24pm 17/12/2020	218	0.82
▲ SSE Composite Index	3405	6:16pm 17/12/2020	38	1.13
▲ NZ 50	12923	8:49am 18/12/2020	34	0.26

## International Markets Roundup

[Morningstar with AAP]: Technology shares lifted the S&P 500 and the Nasdaq to record highs on Thursday as investors grew more optimistic about a coronavirus stimulus bill, helping markets look past signs of economic strain brought on by the covid-19 pandemic.

### Asia

China's blue-chip index ended higher for the fourth straight session on Thursday, powered by healthcare, consumer staples and financials sectors, on investor optimism over swift recovery in the world's second-largest economy.

At the close, the Shanghai Composite index was up 1.13 per cent at 3,404.87.

The blue-chip CSI300 index was up 1.28 per cent, with its financial sector sub-index higher by 1.46 per cent, the consumer staples sector closed 1.43 per cent firmer and the real estate index ended 0.67 per cent higher.

In Hong Kong, the Hang Seng finished up 0.82 per cent at 26,678.38.

Around the region, MSCI's Asia ex-Japan stock index was up 1.14 per cent, while Japan's Nikkei index closed 0.18 per cent higher.

### Europe

European shares remained at 10-month highs on Thursday, as hopes of more stimulus in the US and potential covid-19 vaccine rollouts in Europe strengthened the case for a global economic recovery.

Germany's DAX climbed 1 per cent to hit its highest since February, while the pan-European STOXX 600 index rose 0.5 per cent, both extending gains to a fourth straight session.

Germany and France said they were set to begin inoculating their citizens with the Pfizer-BioNtech vaccine in the last week of December, once it is approved by the European Medicines Agency.

**Zip Co Limited (Z1P)** -Zip Co Completes \$120m Oversubscribed Institutional Placement

**Uniti Group Limited (UWL)** -Uniti Group Announces Successful Completion of Placement

**Transurban Group (TCL)** -Transurban Group Advises on Chesapeake Partnership and Traffic Update

**The a2 Milk Company Limited (A2M)** -The a2 Milk Company Trading Halted, Pending Company Announcement

**Crown Resorts Limited (CWN)** -Crown Resorts Advises on Crown Melbourne Casino Licence Review

'The vaccines are underpinning this entire rally and without the vaccines, I don't think we'll be doing as well as we are,' said Craig Erlam, senior market analyst at OANDA Europe.

'Each and every regulatory approval effectively aids any economic recovery.'

Meanwhile, US lawmakers are inching closer to a \$900 billion stimulus package, while the Federal Reserve promised to keep funnelling cash into markets until the US economic recovery is secure.

This comes after the European Central Bank rolled out more stimulus measures last week.

Aggressive monetary support has helped the STOXX 600 come closer to pre-pandemic levels, but it still remains about 8 per cent below its high this year.

A resurgence in covid-19 cases leading to more curbs had dented the recovery path in October, but vaccine optimism put it back on track until Brexit concerns slowed the pace.

London's FTSE 100 was up 0.3 per cent with eyes on a Bank of England meeting later in the day. The bank is expected to keep policy unchanged, awaiting the fate of a trade deal ahead of Britain's exit from the bloc by the year-end.

'There's just optimism around a deal both in the United States and Brexit. These are the two major issues that are still outstanding for the year and both of them appear to be on a positive trajectory and could be wrapped up over the next few days,' Erlam said.

Shares of WPP jumped 2.9 per cent as the world's biggest advertising firm said it expects to return to its 2019 level of net sales by 2022.

As iron ore and copper prices rose, the basic materials index jumped 1.6 per cent. Rio Tinto was up 1.7 per cent after the miner appointed chief financial officer Jakob Stausholm as its next chief executive.

Novartis rose 0.8 per cent, after the drugmaker said it would acquire US-based neuroscience company Cadent for up to US\$770 million (\$1.1 billion).

#### North America

Technology shares lifted the S&P 500 and the Nasdaq to record highs on Thursday as investors grew more optimistic about a coronavirus stimulus bill, helping markets look past signs of economic strain brought on by the covid-19 pandemic.

The S&P 500 technology and consumer discretionary indexes also hit record highs, up 0.6 per cent and 0.4 per cent, respectively.

A surge in technology outsourcing firm Accenture gave the S&P 500 its strongest lift.

Top Republicans and Democrats grew closer to agreeing on a fresh round of aid in response to a crisis that has killed more than 304,000 Americans and thrown millions out of work.

Many investors saw the passing of new measures to support the economy as imminent after data showed the number of Americans filing first-time claims for jobless benefits unexpectedly rose last week.

That followed a reading on Wednesday that showed US retail sales falling more than expected in November, as consumer spending remained constrained.

'It's all about stimulus today and expectations of a pathway to the deal,' said Ryan Giannotto, director of research at GraniteShares in New York City.

Developments on the vaccine front were also lifting the market, with Moderna Inc awaiting US approval for deploying what would be the nation's second covid-19 vaccine. Moderna's stock jumped 4 per cent.

The S&P 500 has climbed 15 per cent in 2020, despite the economic destruction caused by the coronavirus.

The Dow Jones Industrial Average was up 0.44 per cent at 30,285.97 points, while the S&P 500 gained 0.53 per cent to 3,720.69. The Nasdaq Composite added 0.68 per cent to 12,744.90.

The Russell 2000 index of smaller companies rose 1 per cent and also hit a record high, now up 18 per cent year to date.

'In the very short term, I think we are a little bit over bought here,' said Randy Frederick, vice president of trading and derivatives at Charles Schwab.

He noted that best-performing sectors like technology were most at risk of a pull back, while some of the 'more unloved sectors' like financials and energy were getting fresh attention as investors looked for bargains.

Google-parent Alphabet dipped 1 per cent after a group of 38 US states and territories filed an antitrust complaint accusing Google of trying to extend its search monopoly to dominate smart speakers, televisions and cars.

Accenture jumped 8 per cent after it raised its annual sales forecast and beat quarterly revenue estimates as an extended work-from-home period boosted its digital, cloud and security services.

General Mills Inc rose 1 per cent after it beat second-quarter profit estimates, boosted by sales of its pet foods and baking products.

Commodities	Latest Price	Time/Date (AEST)	Change	% Change
▲ Aluminium	2041	5:21am 18/12/2020	19	0.95
▲ Copper	7900	5:21am 18/12/2020	87	1.11
▲ Nickel	17460	5:21am 18/12/2020	107	0.61
▲ Gold	1886	8:50am 18/12/2020	6	0.29
▲ Silver	26.1	8:49am 18/12/2020	0.7	2.80
▲ Oil - West Texas crude	48.4	8:48am 18/12/2020	0.5	1.13
▼ Lead	2042	5:21am 18/12/2020	-11	-0.55
▲ Zinc	2835	5:21am 18/12/2020	31	1.10
Ore	0	7:10am 11/07/2020	0	--

Currency	Latest Price	Time/Date (AEST)	Change	% Change
▲ \$A vs \$US	0.7625	8:50am 18/12/2020	0.0058	0.77
▲ \$A vs GBP	0.5617	8:50am 18/12/2020	0.0013	0.22
▲ \$A vs YEN	78.63	8:50am 18/12/2020	0.33	0.42
▲ \$A vs EUR	0.6215	8:50am 18/12/2020	0.0011	0.17
▲ \$A vs \$NZ	1.0655	8:50am 18/12/2020	0.0016	0.15
▼ \$US vs Euro	0.8149	8:50am 18/12/2020	-0.0048	-0.59
▼ \$US vs UK	0.7365	8:50am 18/12/2020	-0.0040	-0.54
▼ \$US vs CHF	0.8841	8:50am 18/12/2020	-0.0011	-0.12
▲ \$A vs \$CA	0.9705	8:50am 18/12/2020	0.0057	0.59

**Australian Market Report**

Australian Equities	Latest Price	Time/Date (AEST)	Change	% Change
▲ All Ordinaries	7000	4:31pm 17/12/2020	83	1.21
▲ S&P/ASX 200	6757	4:31pm 17/12/2020	78	1.16
▲ 10-year Bond Rate	1.05	8:49am 18/12/2020	0.01	1.44
90 Day Bank Accepted Bills	0.02	8:38am 18/12/2020	--	--
SFE-Day				
▲ 3-yr Bond Rate	0.22	8:49am 18/12/2020	0.01	4.65

## Local Markets Are Expected To Open Lower

Ahead of the local open SPI futures were 1 points lower at 6691.

Thursday 17 December 2020 - close [Morningstar with AAP]: Shares on the ASX had their best day since late November, as the heavyweight sectors and dollar were boosted by better employment and budget reports.

The S&P/ASX200 benchmark index closed higher by 77.5 points, or 1.16 per cent, to 6756.7 on Thursday, after mixed results in US trade.

The gain was the best since November 24.

The closing position was the highest for the index since February 25.

The All Ordinaries closed better by 83.4 points, or 1.21 per cent, to 7000.1.

The materials sector, which includes miners, added 1.6 per cent as iron ore prices remained above \$US150 a tonne.

Financials climbed 1.08 per cent.

There were helpful contributions from energy, up two per cent, and information technology, which gained 3.34 per cent.

Investor optimism was helped by the unemployment rate falling to 6.8 per cent in November as a larger-than-expected 90,000 people joined the workforce.

Economists had forecast a 40,000 rise in employment and jobless rate of seven per cent.

A stronger than expected recovery from the COVID-19 recession has helped to wipe billions of dollars from the federal budget deficit.

The mid-year economic review showed the deficit for the 2020/21 financial year is forecast to be \$197.7 billion, rather than the \$213.7 billion from October's delayed budget.

The Aussie dollar had spikes towards 76 US cents after both sets of figures were published.

Westpac's head of foreign exchange Richard Franulovich said the improvement came as the US dollar was down across the board.

"The broader environment is a negative one and the Aussie is making hay," he said.

Australian government bond yields edged higher and Mr Franulovich said investors were reappraising Australia's economic recovery.

Deep Data Analytics chief executive Mathan Somasundaram doubted the jobs data and budget update meant much to shares investors.

He believed the JobKeeper wage subsidy masked the reality of employment.

He said the ASX rise was influenced by it being the day of the month when options expired for futures trading.

Traders set new index levels, which produced substantial moves in trade, he said.

"People are taking a guess on where the market will be," Mr Somasundaram said.

On the ASX, Fortescue was best of the big miners and closed up 2.0 per cent to \$22.41.

In banking, ANZ was best of the big four. Shares closed up 1.29 per cent to \$23.58.

Freedom Foods sold its cereals and snacks operations to Arnott's for \$20 million as it focuses efforts on dairy, nutritional and drink products.

Freedom said the sale included brands Arnold's Farm, Barley+, Freedom Foods, Heritage Mill and Messy Monkeys.

Arnott's will also gain manufacturing sites in Darlington Point and Leeton in NSW, and in Dandenong in Victoria.

Freedom shares were in a trading halt.

Casino giant Crown Resorts will face a review of its Melbourne casino after being criticised in a NSW inquiry.

The Victorian government requested its gambling regulator bring forward Crown's review, after its last evaluation in 2018.

Shares closed up 0.2 per cent to \$9.87.

A2 Milk had its shares in a trading halt after it said it needed to revise its earnings guidance.

Shares last traded lower by less than one per cent to \$13.28.

Earlier on Wall Street, markets had mixed results but investors remained optimistic US politicians could deliver economic stimulus.

On Friday, the National Australia Bank will have its annual general meeting.

Resources and agricultural equipment provider Incitec Pivot will also have its annual meeting with shareholders.

The Aussie dollar was buying 75.93 US cents at 1723 AEDT, higher from 75.58 US cents at Wednesday's close.

#### ON THE ASX

\* The S&P/ASX200 benchmark index closed higher by 77.5 points, or 1.16 per cent, to 6756.7 on Thursday.

\* The All Ordinaries closed better by 83.4 points, or 1.21 per cent, to 7000.1.

\* At 1723 AEDT, the SPI200 futures index was unchanged at 6692.

The NZX 50 added 33.12 points (0.26%) to 12921.89

#### Companies Holding Annual General Meeting (ASX 300):

- ▶ Incitec Pivot Limited
- ▶ Nufarm Limited

**Companies Reporting Today (ASX 300):**

ASX Code	Company Name	Report
ALL*	Aristocrat Leisure Limited	Annual

\* Estimated based on release date of previous report

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**Market Sensitive Announcements**


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08:22 AM

**MMA Offshore Limited (MRM) -MMA Offshore Secures Two New Contracts**

MMA Offshore announced that it has secured two new contracts for its Multi-Purpose Support Vessel the MMA Privilege. The first contract is for the provision of accommodation and walk-to-work services to support FPSO shutdown operations in Cote d'Ivoire, West Africa. This contract is for a firm period of 138 days, including mobilisation and demobilisation, with a further 14 days in options. This contract commences in February 2021, with the vessel mobilising from Singapore in January 2021. The second contract is for the provision of light construction and accommodation/walk-to-work services in Brunei. This contract is for a firm period of 90 days, with a total of 70 days in option periods. This contract will commence in or around July 2021.

08:23 AM

**White Cliff Minerals Limited (WCN) -White Cliff Minerals Announces Completion of Sale of the Merolia Gold Project**

White Cliff Minerals advised shareholders that the sale of the Company's 100% owned Merolia Gold Project to LSE-listed exploration company, Panther Metals (Panther) has completed. As announced 16 November 2020, the upfront consideration for the sale of Merolia was A\$0.27m, consisting of A\$0.11m cash and 0.73m ordinary shares in Panther (50% of the consideration shares will be subject to 6 months voluntary escrow from the date of issue and other 50% will be subject to 12 months voluntary escrow from the date of issue). Additionally, Company is entitled to a payment of A\$1.25 per ounce of gold contained within a JORC (or equivalent reporting code) Mineral Resource Estimate from the Merolia Gold Project area.

08:26 AM

**Yancoal Australia Limited (YAL) -Yancoal Australia Advises on Reconsolidation of Watagan Mining**

Yancoal Australia advised that a commercial arrangement has been entered into between Yankuang Group (Yankuang), its wholly owned subsidiary Yankuang Group (Hong Kong) (Yankuang HK) and the other two holders of bonds previously issued by Watagan Mining Company which will result in Company obtaining accounting control of Watagan Mining Company and its subsidiaries (together Watagan) and the financial results of Watagan will be consolidated in the Yancoal group financial statements (Yankuang/Bondholder Arrangement). The effective date of the reconsolidation will be 16 December 2020.

08:33 AM

**Bapcor Limited (BAP) -Bapcor Provides FY 2021 Trading Update**

Bapcor provided a first quarter FY21 trading update which indicated Group Revenue was up 27%. The businesses have continued to perform since the October 2020 update. For the five months to the end of November Group Revenue is up 26%, with Net Profit After Tax achieving operating leverage from lower expenses in areas such as travel and other areas of discretionary expenditure, as well as lower interest rates and the contribution from Truckline which was not included in the pc. For the first half of FY 2021 Company anticipates it will achieve revenue growth of at least 25% over the pc in FY 2020, and Net Profit after Tax increase of at least 50% over the pc in FY 2020 which was \$45.6m.

08:42 AM

**Growthpoint Properties Australia (GOZ) -Growthpoint Properties Australia Announces Dividend**

Growthpoint Properties Australia announced FPO dividend of 10 cps for a period of six months ending on 31 December 2020, with the record date of 31 December 2020 and payment date of 26 February 2021. The Company's DRP will apply to this dividend.

08:45 AM

**Carnarvon Petroleum Limited (CVN) -Carnarvon Petroleum Enters Into a Binding Agreement with Advance Energy to Enable the Redevelopment of the Buffalo Oil Field**

Carnarvon Petroleum announced that it has entered into a binding agreement with AIM listed, Advance Energy (Advance) to enable the redevelopment of the Buffalo oil field. In this transaction, Advance will acquire up to a 50% interest in the Buffalo project by funding the drilling of Buffalo-10 well up to US\$20m on a free carry basis. In addition to this, the newly formed JV will acquire development funding from third party lenders and any additional funding requirements (in addition to that provided by third party lenders) will be provided by Advance Energy as an interest free loan.

08:47 AM

**WPP AUNZ Ltd (WPP) -WPP AUNZ Advises on Revised proposal from WPP**

WPP AUNZ announced the receipt of an unsolicited proposal from its majority shareholder WPP to acquire all of the ordinary shares in Company that it does not already own at a price of A\$0.55 per share in cash (Original Proposal). Subsequent to further discussions with WPP, the Independent Board Committee (IBC) advised that it has received a revised proposal from WPP to acquire all of the ordinary shares in Company that it does not already own at a price of A\$0.70 per share in cash (Revised Proposal). The Revised Proposal of A\$0.70 per share values Company at an implied enterprise value of A\$717m and compares to the undisturbed share price of A\$0.41 per share.

08:50 AM

**WPP AUNZ Ltd (WPP) -WPP AUNZ Provides Outlook for FY 2020 and FY 2021**

WPP AUNZ provided an outlook for the business for both the financial year ending 31 December 2020 (FY 2020) and financial year ending 31 December 2021 (FY 2021). FY 2020 net sales are expected to be between \$607m and \$610m, a decline of 14% to 15% on FY 2019, primarily due to the impact of COVID-19. Net debt is estimated to be \$110m as at 31 December 2020, a reduction from \$128m as at 30 September 2020. The Board expects to return to paying dividends in the 2021 year and expects to declare a dividend as part of its FY 2020 result which will be announced as part of the FY 2020 result announcement in late February 2021.

08:52 AM

**WPP AUNZ Ltd (WPP) -WPP AUNZ Provides Investor Presentation on Revised Proposal from WPP**

WPP AUNZ provided investor presentation on revised proposal from WPP. It reported Subsequent to further discussions with WPP, the Independent Board Committee (IBC) advised that it has received a revised proposal at A\$0.70 per share for the shares WPP does not already own (Revised Proposal). Revised Proposal valued Company at A\$0.70 per share and an implied enterprise value of A\$717m and compares to the undisturbed share price of A\$0.41 per share. The IBC has determined it is in the best interests of Company minority shareholders to seek to enter into a binding scheme implementation agreement (Implementation Agreement).

08:54 AM

**Zip Co Limited (Z1P) -Zip Co Completes \$120m Oversubscribed Institutional Placement**

Zip Co announced that it has received firm commitments to raise \$120m before costs via a placement (Placement) of 22.47m ordinary shares (Placement Shares). The oversubscribed placement was completed with the support of new and existing institutional investors and fully underwritten by Merrill Lynch Equities (Australia) with Shaw and Partners acting as Co-Lead Manager. The issue price for the Placement Shares was \$5.34 per share representing a 4.1% discount to the last traded price of Company's shares on the ASX on 16 December 2020.



08:58 AM

**Uniti Group Limited (UWL) -Uniti Group Announces Successful Completion of Placement**

Uniti Group announced the successful completion of its fully underwritten institutional placement (Placement), as announced to the market on 16 December 2020. The Placement raised \$50m through the issue of 33.3m new fully paid Company shares (New Shares) at a price of \$1.50 per New Share (Placement Price), representing a 1.4% premium to Company's last traded share price on 15 December 2020 and also a premium to Company's recent trading levels. The compelling strategic rationale for the acquisition of Telstra Velocity assets has meant that the Placement achieved result of being priced at a premium.

09:28 AM

**Transurban Group (TCL) -Transurban Group Advises on Chesapeake Partnership and Traffic Update**

Transurban Group advised that it has reached agreement to sell a 50% interest in its Transurban Chesapeake assets to AustralianSuper, Canada Pension Plan Investment Board (CPP Investments) and UniSuper for gross sale proceeds of A\$2.8bn (US\$2.1bn), plus a potential earn-out between FY 2024 and FY 2026 of up to A\$93m (US\$70m). Traffic on Company's North American roads remains subdued given the continued impacts of COVID-19, particularly on the Express Lanes assets.

09:28 AM

**The a2 Milk Company Limited (A2M) -The a2 Milk Company Trading Halted, Pending Company Announcement**

The securities of The a2 Milk Company will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 21 December 2020 or when the announcement is released to the market.

09:30 AM

**Crown Resorts Limited (CWN) -Crown Resorts Advises on Crown Melbourne Casino Licence Review**

Crown Resorts announced that the Vic Commission for Gambling and Liquor Regulation (VCGLR) will bring forward the seventh review of the Casino Operator and Licence, with the last review having concluded in 2018. The review will assess the suitability of Crown Melbourne to hold the casino licence in Vic. The VCGLR will report its findings to the Minister for Consumer Affairs, Gaming and Liquor Regulation (Minister) in 2021. It has actively engaged with the VCGLR in relation to matters the subject of the ILGA Inquiry, including on Company's reform agenda.

## Research Report Summaries

## Morningstar Rating

★★★

## Share Price

10.340

## APA Group (APA) - Resurgent Resources Sector Provides Accretive Growth for APA

**Analyst Note**-Narrow-moat-rated APA Group is benefiting from a resurgent resources industry in Western Australia, or WA. Remote mines are looking to reduce costs and emissions by switching to gas-fired generators, rather than diesel. This drives demand for APA to expand its WA pipeline network, which is starting to resemble its East Coast grid. We like this kind of expansion as it boosts value of APA's existing pipelines by adding more nodes to the network. Adding more routes between gas fields, storage and customers makes the network more flexible and reliable. It also expands APA's service offering and leads to more revenue opportunities.

We increase capital expenditure forecasts for the next three years by 28% to AUD 452 million per year on average, resulting in our five-year EBITDA compound annual growth rate increasing 40 basis points to 3.7%. While we expect investment in expanding gas networks to be value-accretive, the overall impact on our fair value estimate is modest given the small scope of projects compared with APA's overall asset base. We increase our fair value estimate 3% to 9.50 and think APA is marginally overvalued at present. Forward distribution yield is 5%, with distributions likely to grow slightly better than CPI in the medium term. While measured in decades, APA's assets likely have shorter useful lives than many other infrastructure companies. The contract on the Wallumbilla Gladstone Pipeline, which contributes 30% of group EBITDA, is structured so that earnings effectively cease after the initial contract ends in 2035 even if the foundation customer continues using it. Additionally, long-term usage of pipelines faces headwinds from gas field depletion or potentially reduced gas demand as Australia transitions to renewable power.

FYE Jun	2019A	2020A	2021E	2022E
Reported Npat \$m	288.03	317.11	287.01	315.97
EPS c	24.41	26.88	24.32	26.78
P/E x	39.69	41.25	42.52	38.61
EPS Growth %	4.79	10.09	-9.49	10.09
DPS c	47.00	50.00	51.00	52.50
Yield %	4.85	4.51	4.93	5.08
Franking %	34.0	34.0	48.0	54.0

## Morningstar Rating

★★

## Share Price

1.440

## Mortgage Choice Limited (MOC) - Mortgage Choice Expected to Benefit from Housing Market Resiliency but Shares Looks Expensive

**Analyst Note**-Our fair value estimate for Mortgage Choice is increased 5% to AUD 1.05 per share, largely due to the time value of money and a 10% increase to our fiscal 2020 profit forecast to AUD 12 million. We lift annual housing settlements growth for fiscal 2021 to 5%, from negative 3% previously, with operating costs still expected to be lower than last year.

Action by the Australian Government and Reserve Bank of Australia to support the economy, and the residential construction sector in particular, was highly effective. As a result, new housing demand and prices in the secondary market held up better than we expected amid the COVID-19 pandemic, bringing forward some of the recovery we had pencilled in for 2021. Lower cash rates, JobKeeper, access to superannuation, and the HomeBuilder program, were among the contributing factors. With confidence in the economic outlook improving and borrowing costs extremely low, investor demand could turn positive in 2021. Over the 12 months to October 2020 owner-occupier credit is up 5.4% while investor declined 0.3%. According to APRA banking statistics in the 12 months to October 2020 housing credit has increased around 3%, with momentum building in September and October.

We assign Mortgage Choice a Standard capital allocation rating. The rating reflects our assessments of a sound balance sheet, fair investment and appropriate shareholder distributions. We think investments are most likely to be the key driver of total shareholder returns. Without ongoing investment in the business Mortgage Choice risks its brokers from failing to attract borrowers, and could even lead to brokers leaving out of frustration. In 2018 Mortgage Choice made the strategic decision to increase the share of commissions kept by brokers, which we viewed as necessary among growing competition. With a relatively fixed operating cost base, loss of brokers would have a material impact on earnings and dividends.

FYE Jun	2019A	2020A	2021E	2022E
Reported Npat \$m	14.03	11.72	12.09	11.22
EPS c	11.19	9.27	9.56	8.87
P/E x	10.52	11.55	15.06	16.23
EPS Growth %	-40.22	-17.18	3.16	-7.18
DPS c	6.00	6.50	7.50	7.50
Yield %	5.10	6.07	5.21	5.21
Franking %	100.0	100.0	100.0	100.0

## Morningstar Rating

★★

## Share Price

14.270

## Transurban Group (TCL) - Transurban Sells 50% of its U.S. Express Lanes to Help Fund Nearby Developments

**Analyst Note**—Wide-moat-rated Transurban has sold 50% of its express lanes and development projects in the Greater Washington Area, now known as Transurban Chesapeake, for AUD 2.8 billion. Funds raised will help the firm progress developments and pursue acquisitions in North America without stretching the balance sheet, given ongoing impacts from the coronavirus. Financial close is expected in mid-2021. The sale price appears good but the impact on fair value is immaterial because of its relatively small size compared with Transurban's enterprise value of AUD 60 billion. The stock currently trades 17% above our unchanged fair value estimate of AUD 12 per security.

The stakes in Transurban Chesapeake were sold to three large pension funds—25% to AustralianSuper, 15% to Canada Pension Plan Investment Board, and 10% to UniSuper. Future acquisitions and developments in Washington, D.C., Maryland, and Virginia are expected to be progressed through the Transurban Chesapeake joint venture, reducing Transurban's capital requirements. We think this is a good thing, given the huge scope of potential projects in this heavily congested area. The more future projects Transurban can secure in this area, the more it will benefit from scale as it leverages technology, head office and other fixed costs. It can also benefit from a network effect in some cases as developments add more nodes to its network, but new roads can also cannibalise traffic.

Separately, Transurban's traffic volumes continue to recover. For the month of November, groupwide traffic volumes were down 16% on the same period last year, compared with down 27% in October. The main laggards remain CityLink in Melbourne (down 33%) and the U.S. express lanes (down about 40%) because of ongoing travel restrictions. We continue to expect fiscal 2021 traffic volumes to be broadly similar to last year, with most of the catch up in the June 2021 quarter as it cycles a heavily COVID-19-impacted prior period.

FYE Jun	2019A	2020A	2021E	2022E
Reported Npat \$m	171.00	-153.00	-255.70	175.60
EPS c	6.63	-5.61	-9.35	6.42
P/E x	185.10	-260.15	-152.62	222.27
EPS Growth %	-70.76	-184.65	66.52	-168.67
DPS c	59.00	47.00	38.50	51.00
Yield %	4.81	3.22	2.70	3.57
Franking %	5.0	4.3	5.16	6.19

### Recommendation Updates Over the Last Week

ASX Code	Company Name	Morningstar Rating	Date Changed	Latest Report
▲ APA	APA Group	★★★	17/12/2020	Resurgent Resources Sector Provides Accretive Growth for APA
▲ EVT	Event Hospitality and Entertainment	★★★★	17/12/2020	Upgrade due to price change
▼ ABC	ADBRI	★★	16/12/2020	Downgrade due to price change
▼ AGI	Ainsworth Game Technology	★★	16/12/2020	Downgrade due to price change
▼ CHC	Charter Hall	★	16/12/2020	Downgrade due to price change
▲ ALG	Ardent Leisure Group	★★★	15/12/2020	Ardent Leisure Shares on a Roller Coaster but Underlying Earnings Still Grounded
▼ GWA	GWA Group	★★	15/12/2020	Downgrade due to price change
▲ VOC	Vocus Group	★★★	15/12/2020	Upgrade due to price change
▼ CBA	Commonwealth Bank	★★	14/12/2020	Downgrade due to price change
▼ JBH	JB Hi-Fi	★	14/12/2020	Downgrade due to price change
▼ AHY	Asaleo Care	★★	10/12/2020	Downgrade due to price change
▼ PPT	Perpetual	★★★	10/12/2020	Downgrade due to price change
▼ ZEL-NZ	Z Energy	★★★★	10/12/2020	Downgrade due to price change

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